

1 2. I am aware of the lawsuit entitled *William Tong et al. v. State Farm*
2 *General Insurance Company et al.*, Case Number 2:24-cv-02219-DSF and submit
3 this Declaration in support of State Farm's Motion for Protective Order.

4 3. I am presently employed by State Farm Mutual Automobile Insurance
5 Company (hereinafter "State Farm") as a Claims Section Manager in Op
6 Excellence-POST. The processes referred to herein include those employed by
7 State Farm General Insurance Company. All references to "State Farm" shall
8 include State Farm Mutual Automobile Insurance Company and State Farm
9 General Insurance Company (hereinafter collectively "State Farm").

10 4. I have been employed by State Farm Mutual Automobile Insurance
11 Company since 2010. I have been in my current position since April 2021. In my
12 various positions, I have acquired knowledge, information, and belief relating to
13 the policies and procedures that State Farm provides its claims personnel, which
14 guide them in the adjustment of insurance claims.

15 5. A business unit of State Farm called Enterprise Process Ownership
16 has developed certain claim-related processes for State Farm claim personnel
17 engaged in handling claims involving the insurance policy contract. Those
18 processes have been compiled into written documents called the Standard Claim
19 Process ("SCPs"). Enterprise Process Ownership is responsible for supporting,
20 updating, and managing the SCPs. Enterprise Process Ownership is also
21 responsible for the development of certain Jurisdictional References ("JRs") for
22 State Farm claim personnel engaged in handling claims involving the insurance
23 policy contract.

24 6. I understand that plaintiff is making discovery requests of documents
25 which contain the confidential and proprietary information of State Farm,
26 including certain SCPs and JRs. In my capacity as a Claims Section Manager, I am
27 familiar with the SCPs and JRs, which are claimed as proprietary and confidential
28 by State Farm.

1 7. State Farm prepares these materials for the exclusive use of its claim's
2 personnel.

3 8. These materials were prepared by highly experienced claims and legal
4 personnel who work for State Farm. State Farm has incurred substantial monetary
5 and time investments in developing the claims handling materials contained in the
6 SCPs and JRs. State Farm's SCPs and JRs are among State Farm's most valuable
7 assets. State Farm derives an independent economic value by maintaining the
8 confidentiality of its SCPs and JRs such that they are not generally known to or
9 readily ascertainable by proper means by other persons, such as competitors, who
10 can obtain economic value from the materials' disclosure or use.

11 9. State Farm is an innovator in the insurance industry. On information
12 and belief, unlike other insurance companies, State Farm develops its own
13 industry policies rather than using standard Insurance Service Office forms.
14 Although I do not have first-hand knowledge of competitors' procedures, on
15 information and belief, the claims handling procedures, techniques , processes,
16 methods, systems, and policies embodied in State Farm's SCPs and JRs are unique
17 to State Farm.

18 10. If State Farm's competitors were to have access to copies of the SCPs
19 and JRs without investing similar resources of time, money, and personnel to
20 develop comparable materials, it would give State Farm's competitors insight into
21 how State Farm manages its claims operations, thereby causing irreparable harm to
22 State Farm and the loss of a business advantage.

23 11. State Farm's claims handling processes and procedures contained in
24 the SCPs and JRs have been developed at great expense, are not made available to
25 the public, and are maintained as confidential documents under State Farm's
26 security. Disclosure of such information to a competitor would give the competitor
27 information that otherwise could not be obtained. A competitor could use the
28 claims handling manuals and training information to copy or adapt State Farm's

1 claims handling processes and policies. Just as significantly, the competitor's
2 development time and cost for the concept, method, or process would be greatly
3 reduce if it had access to the claims handling manual and other training and
4 instructional materials contained in State Farm's SCPs and JRs. The competitor
5 would realize substantial cost savings and thereby gain an unfair advantage. The
6 competitor could do so without compensating State Farm for its expenses incurred
7 in developing these ideas. This triple threat of a competitor' s unearned savings ,
8 State Farm' s uncompensated expense, and the competitor's market gain would
9 result in an unfair competitive disadvantage to State Farm. As State Farm is an
10 industry leader, dissemination of its materials and resources would provide
11 competitors with proprietary knowledge of how to improve management of their
12 claims operations.

13 12. State Farm's competitors in the property insurance claims handling
14 industry do not disclose information about their claims handling procedures and
15 policies. State Farm does not have access to its competitors' claims handling
16 materials. It would be injurious to State Farm's competitive position in the
17 marketplace if its claims handling materials contained in its SCPs and JRs became
18 public.

19 13. It is the policy and procedure of State Farm to treat the SCPs and JRs as
20 proprietary and confidential. State Farm maintains confidentiality through several
21 methods.

22 14. First, State Farm's employees are required to sign a Code of Conduct on
23 an annual basis, which, among other things, expressly states that State Farm
24 employees must keep confidential State Farm inside (non-public) information.
25 Furthermore, by the Code of Conduct, employees are advised that proprietary and
26 confidential documents, manuals, and other materials developed for internal use
27 are proprietary to State Farm and must be safeguarded from unauthorized
28 disclosure or use. Additionally, all employees are advised by the Code of Conduct

1 that the obligation to protect and not reveal proprietary material continues after
2 employees leave State Farm or other individuals subject to a confidentiality
3 agreement no longer provide services to State Farm. The Code of Conduct contains
4 the following language:

5 **I. CONFIDENTIAL AND PROPRIETARY MATTER:**

6 Information is an asset, and we must protect it from unauthorized or
7 improper use. Types of information include trade secret, confidential,
8 internal use only and privileged, and each type needs to be protected
9 on various levels. Intellectual property can include patents,
10 copyrights, trade secrets, customer lists, business models and
11 marketing plans, as well as claim information, contractual obligations
12 and information developed for internal use. Any intellectual property
13 developed while performing work for, or on behalf of the Company
14 resources, equipment, time or information belongs to the Company.
15 As employees, we must safeguard Company information from
16 unauthorized disclosure or use, and must not use Company
17 information for our benefit or that of others. When we leave the
18 Company, we must return any information, and the obligation not to
19 disclose or use such information continues after we leave.

20 15. The above-mentioned Code of Conduct would prohibit State Farm
21 employees from disclosing claims policies, guidelines, requirements, procedures,
22 and manuals governing the handling of claims to outside sources.

23 16. Second, State Farm limits and controls access to the SCPs and JRs by
24 requiring SCPs and JRs to be produced in litigation subject to a confidentiality
25 agreement or protective order so as to prevent the SCPs and JRs from being used in
26 any manner not specifically related to the particular litigation at issue. These
27 protective orders and confidentiality agreements normally expressly prohibit the
28 opposing party/parties from disseminating these proprietary and confidential

1 documents and materials to any person or entity unless they are working on the
2 case at issue. Further , they normally provide that these documents cannot be used
3 for any other purpose and must be returned to State Farm at the conclusion of the
4 litigation. On information and belief, State Farm has consistently maintained the
5 SCPs and JRs as confidential by producing each of these documents with a
6 "confidential" or similar notation affixed upon it.

7 17. The procedures, policies , and processes discussed in this Declaration
8 are indicative, but not necessarily exhaustive, of the measures taken by and/or on
9 behalf of State Farm to ensure the confidentiality of documents.

10 I declare under penalty of perjury under the laws of the United States of
11 America that the foregoing is true and correct.

Executed this 25th day of November 2024, at Bloomington, Illinois.

John Carter
JOHN CARTER